Quarterly Economic Wrap

March 2024

Summary

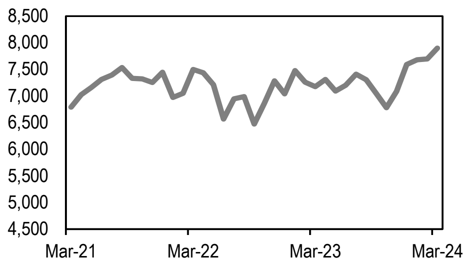
Economic

- HSBC has lifted their annual average global GDP growth forecast for 2024 to 2.6% (from 2.4%). They also see GDP growth of 2.6% in 2025.
- On inflation, HSBC forecasts only gradual disinflation and their forecasts are much the same as at the start of the year. They anticipate global inflation of 5.8% in 2024, and 3.8% in 2025.
- HSBC does acknowledge that there is even more uncertainty than usual about forecasts for next year given the possibility of escalation in geopolitical conflicts and the potential impact of elections in many parts of the world. Fiscal policy could also materially change the outlook. Difficult policy choices lie ahead for governments facing an array of new spending needs.

Markets

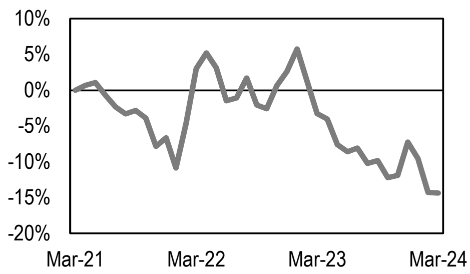
- Share market performance was excellent for the March quarter. The S&P 500 had a great quarter rising by 10.16%, while the Australian S&P/ASX 200 rose by 4.03% on a price basis.
- Global shares ex-Australia performed exceptionally well for the quarter, producing a return of 14.0% on an unhedged basis. The result for hedged global shares, while not quite as good as for unhedged shares, still produced an excellent gain of 9.5%.
- In Australia, Growth and Momentum were the best performing styles for the quarter, while globally, the best performing styles were Momentum and Quality.
- Within Fixed income markets, both Australian government bonds and credit gained ground over the quarter. The main Australian fixed interest index, the Bloomberg AusBond Composite 0+ Years Index was up 1.0%, while the Bloomberg AusBond Credit 0+ Years Index gained 1.4%.
- Global High Yield bonds, as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD gained a solid return of 2.3% for the March quarter.

1. S&P/ASX 200 Price Index



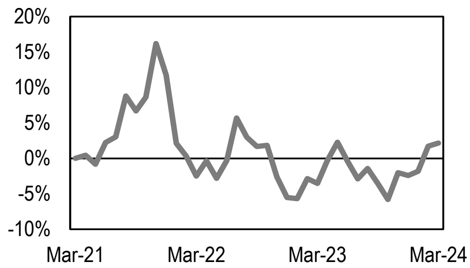
Source: FactSet, Insignia Financial

2. ASX200 vs All-World, US$ terms



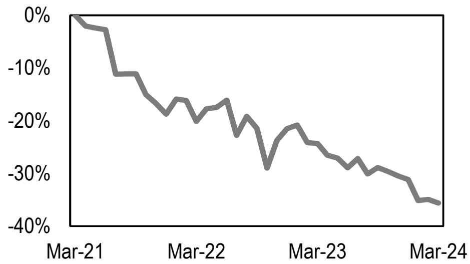
Source: FactSet, Insignia Financial

3. Australia – Growth vs Value stocks



Source: FactSet, Insignia Financial

4. Emerging markets vs Developed Markets, (In USD)



Source: FactSet, Insignia Financial

Sector and stock returns – March 2024

ASX/S&P 200 Sectors (GICS)				
	Monthly	% ∆	Quarterly	% ∆
▲	Consumer Discretionary	0.74	Consumer Discretionary	11.62
▲	Consumer Staples	1.58	Consumer Staples	0.38
▲	Energy	3.38	Energy	1.42
▲	Financials ex Property	2.12	Financials ex Property	3.28
▲	Financials	2.90	Financials	11.02
▲	Health Care	1.14	Health Care	2.59
▲	Industrials	2.21	Industrials	4.59
▲	IT	2.76	IT	24.23
▲	Materials	2.18	Materials	-7.94
▲	Property Trusts	9.58	Property Trusts	16.05
▼	Telecommunications	-1.07	Telecommunications	-0.57
▲	Utilities	3.20	Utilities	1.28

Source: FactSet, Insignia Financial

Best and Worst S&P/ASX 200 Performers			
Top five stocks (%)		Bottom five stocks (%)	
Monthly			
Life360, Inc. Shs CDIs	+60.4	Arcadium Lithium Plc CDIs	-12.6
West African Resources Ltd	+36.4	Smartgroup Corporation Ltd	-11.5
Virgin Money UK PLC Shs CDIs	+35.2	IGO Limited	-11.0
Alumina Limited	+34.6	Audinate Group Ltd.	-9.7
Ramelius Resources Limited	+28.7	Pilbara Minerals Limited	-8.8
Quarterly			
Life360, Inc. Shs CDIs	+73.1	Strike Energy Limited	-45.8
Megaport Ltd.	+62.9	Arcadium Lithium Plc CDIs	-39.5
Alumina Limited	+56.9	Nanosonics Limited	-37.5
a2 Milk Company Limited	+46.7	Liontown Resources Limited	-29.1
Altium	+39.2	Coronado Global Res. Inc. Shs CDIs	-29.0

Source: FactSet, Insignia Financial

Share Markets, Returns

	Australian Indices	31 Mar 2024 Price	1M return (%)	31 Dec 2023 Price	3M return (%)
▲	S&P/ASX 200	7897	2.57	7591	4.03
▲	All Ordinaries	8154	2.44	7830	4.14
▲	Small Ords	3124	4.17	2930	6.60
	US Indices				
▲	S&P 500	5254	3.10	4770	10.16
▲	Dow Jones	39807	2.08	37690	5.62
▲	Nasdaq	16379	1.79	15011	9.11
	Asia Pacific Indices				
▲	Hang Seng	16541	0.18	17047	-2.97
▲	Nikkei 225	40369	3.07	33464	20.63
	UK & Europe Indices				
▲	FTSE 100	7953	4.23	7733	2.84
▲	CAC40	1546	3.19	1420	8.91
▲	DAX Index	18492	4.61	16752	10.39

Sources: FactSet, MSCI, FTSE, S&P, Insignia Financial
Note: return is reported on a price basis and in local currency terms e.g., S&P500 performance is in US dollars and excluding dividends.

Apart from a standout weakness in the Hong Kong Sharemarket (Hang Seng: -2.97% as Chinese economic stagnation weighs on prices), equity markets have enjoyed a positive Q1 2024, despite the expectations pushing out the timing and number of rate cuts across the developed economies. Investors began 2024 thinking that the U.S. would see as many as 6-7 cuts starting as early as March, but now expect 1-2 cuts starting in September. Despite this change, the S&P 500 rose by 10.16% in Q1.

After 34 years, the Nikkei 225 finally surpassed its previous high back in December 1989. The Japanese Sharemarket was the standout performer in local currency in Q1.

Nikkei 225 Index : Feb 1984 – Mar 2024

Source: tradingview.com. Accessed 15/04/2024

Returns to 31 Mar 2024	1-mth	3-mth	6-mth	1-yr
MSCI World Index	**3.4%**	**10.2%**	**21.2%**	**26.7%**
Value	**4.9%**	**8.8%**	**17.4%**	**20.7%**
Value-Weighted	**5.0%**	**9.7%**	**18.6%**	**25.3%**
Momentum	**4.5%**	**22.2%**	**34.0%**	**38.3%**
Growth	**2.0%**	**11.5%**	**24.7%**	**32.5%**
Quality	**2.8%**	**12.8%**	**25.3%**	**34.7%**
Low volatility	**2.8%**	**7.5%**	**12.8%**	**13.5%**
Equal weight	**4.0%**	**7.4%**	**16.5%**	**18.8%**
Small caps	**4.3%**	**7.4%**	**18.2%**	**19.4%**

Source: FactSet, Insignia Financial, MSCI

Momentum as a factor was exceptionally strong during Q1 2024 (+22.2%), almost doubling the next best investment factor, Quality (+12.8%). The laggards over Q1 2024 have been Low Volatility (7.5%), Small Caps (7.4%) and Equal Weight (8.8%).

Interestingly, March performance favoured Value and Small Cap factors that have been unloved and offer attractive prices. The Value investment factor was last in focus during the rising inflation and interest rate environment in 2022, while Small Caps have lagged during both the positive market of 2023 and the risk off environment of 2022. This has created an attractive discount. History suggests that productive assets that are discounted and ignored by markets often turn out to perform well in the future.

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index rose 4.0% in Q1 2024, while the larger cap MSCI Australia Index (58 stocks) rose 5.4%.

Returns to 31 Mar 2024	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	**2.8%**	**5.4%**	**15.0%**	**15.7%**
Value	**2.7%**	**3.0%**	**12.3%**	**13.5%**
Value-Weighted	**3.0%**	**5.1%**	**13.6%**	**15.9%**
Momentum	**3.6%**	**7.6%**	**18.9%**	**20.7%**
Growth	**2.9%**	**7.7%**	**17.4%**	**17.9%**
Quality	**2.0%**	**4.4%**	**15.0%**	**15.6%**
Low volatility	**2.6%**	**6.1%**	**14.9%**	**14.8%**
Equal weight	**3.1%**	**7.4%**	**15.0%**	**15.9%**
Small caps	**4.5%**	**6.6%**	**13.4%**	**13.9%**

Source: FactSet, Insignia Financial, MSCI

Similar to overseas markets, Growth and Momentum lead the Australian MSCI sub-categories over the quarter and 1-year periods. Also, similar to global markets, Value has been unloved during Q1. Interestingly, Quality as a factor in Australia during Q1 underperformed the broader market, while in global markets it outperformed. Globally, Quality has a stronger overlap with Growth companies than the investment factors have in the Australian market.

Fixed Income

Fixed Income	31 Mar 2024 Yield	1M mvt (bps)	31 Dec 2023 Yield	3M mvt (bps)
Australian Cash rate	4.35	--	4.35	--
▼ 10-year Bond Yield	3.97	-0.17	3.96	0.01
▼ 3-year Bond Yield	3.62	-0.09	3.60	0.02
▼ 90 Day Bank Accepted Bills SFE-Day	4.46	-0.07	4.45	0.01
▼ US 10-year Bond Yield	4.20	-0.04	3.88	0.32
▼ US 3-year Bond Yield	4.41	-0.01	4.01	0.40
▼ US Investment Grade spread	1.14	-0.12	1.30	-0.16
▼ US High Yield spread	2.99	-0.13	3.23	-0.24

Source: FactSet, Insignia Financial

Australian bond market

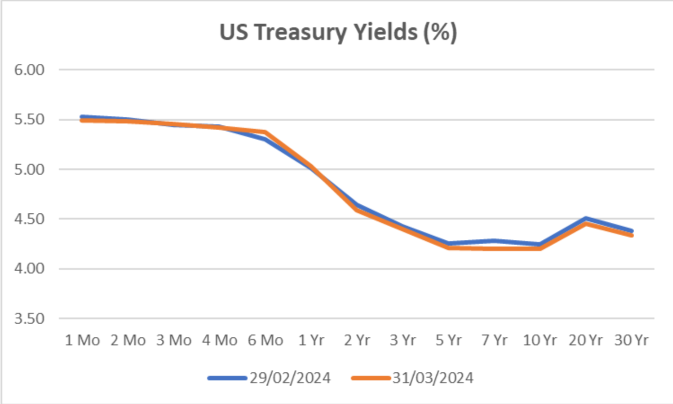
The March quarter saw little change in Australian Bond yields, although there were fluctuations within the quarter. This resulted in the main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index gaining 1.0%. Australian yields compared to the recent past, didn't move much during the quarter, with the short end (3-year) of the curve rising by 2 basis points. At the long end of the curve, the 10-year yield rose by 1 basis point.

Australian corporate bonds were up for the quarter, with the Bloomberg AusBond Credit 0+ Years Index gaining a reasonable 1.4%.

The yield to maturity for the Bloomberg AusBond Composite 0+ Years Index at the end of the March quarter was basically unchanged from January at approximately 4.2%, with the index having around 5 years duration.

Global bond markets

During March, U.S. Government bond yields generally decreased, but only by very small amounts. As can be seen in the following chart, the U.S. yield curve barely changed over the month of March. The 6-month part of the curve experienced the greatest increase in yield (0.08%), while the 7-year part of the curve experienced the greatest decline in yield (-0.08%).



Source: U.S. Department of the Treasury, accessed 03/04/2024

At the start of the year, markets were expecting a total of 175 basis points of interest rate cuts in the U.S., a significant divergence from the Federal Reserve's December "dot plot". A massive course correction has happened since then, spurred by economic resiliency. As a result, longer-duration bonds suffered. High yield, however, did quite well, a reflection of confidence in the economic outlook and a lower sensitivity to interest rates. Encouragingly, the Fed did not adjust the "dot plot" for 2024 at its March meeting, making another course correction unlikely.

Investors have eagerly awaited confirmation regarding the timing and extent of potential rate cuts. Initially, in January, markets were confident that the Fed and BoE had largely contained inflation and would commence rate cuts in March, as traders had anticipated six to seven cuts throughout 2024. Nonetheless, a more hawkish stance from central banks as inflation remained above the 2% target in January and February altered this expectation. By the end of the quarter, market futures sharply shifted, indicating that the first-rate cut might occur in June, as per the CME FedWatch tool. Consequently, bonds generally remained relatively stagnant or slightly negative over the quarter.

Currencies

Currency	31 Mar 2024 Price	1M return (%)	31 Dec 2023 Price	3M return (%)
▲ $A vs $US	0.65	0.29	0.68	-4.37
▲ $A vs GBP	0.52	0.24	0.54	-3.55
▲ $A vs YEN	98.61	1.18	96.07	2.64
▲ $A vs EUR	0.60	0.43	0.62	-2.20
▲ $A vs $NZ	1.09	2.21	1.08	1.20
▲ $US vs EUR	0.93	0.14	0.91	2.29
▲ $US vs CNY	7.23	0.55	7.11	1.61
▲ $US vs GBP	0.79	0.00	0.79	0.85
▲ $US vs JPY	151.38	0.93	141.03	7.33
▲ $US vs CHF	0.90	1.95	0.84	7.15
▲ US Dollar Index	104.55	0.37	101.33	3.17

Source: Bloomberg, Insignia Financial

So far, 2024 has been the story of U.S. Dollar strength.

The U.S. Dollar Index measured against a basket of trading partners (+3.17%) improved as the number and timing of expected U.S. interest rate cuts moderated through the quarter. The USD was strong against the Swiss Franc (vs CHF +7.15%), as the Swiss central bank was the first developed economy to cut rates, while the USD was strong against the Yen (vs Yen +7.33%), despite the Bank of Japan raising rates out of negative territory for the first time in eight years.

The AUD's Q1 decline was mainly delivered during the first 6 weeks of the year. While our economy is resilient and our inflation appears to have paused its downward trend, the U.S. economy is more resilient than ours. Moderation in expectations of the timing and the number of U.S. rate cuts also extended the expected time that U.S. Treasuries will provide a positive carry to Australian government bonds, reducing demand for the AUD.

AUD/USD: 31 Dec 2023 – 31 Mar 2024

Source: tradingview.com. Accessed 13/02/2024

Commodities

Commodity	31 Mar 2024 Price	1M return (%)	31 Dec 2023 Price	3M return (%)
▲ Aluminium	2270	4.95	2336	-2.80
▲ Copper	8729	4.05	8476	2.98
▼ Nickel	16530	-5.19	16300	1.41
▲ Zinc	2391	0.38	2641	-9.45
▲ Crude Oil - Brent	87.00	2.87	77.69	11.98
▼ Natural Gas	1.76	-5.22	2.51	-29.87
▼ Metallurgical Coal	129	-1.45	146	-11.82
▼ Thermal Coal	124	-0.54	127	-2.05
▼ Iron Ore	109.53	-12.28	136.37	-19.68
▲ Gold	2233	9.26	2065	8.15
▲ Silver	25	10.14	24	4.74

Source: Bloomberg, Insignia Financial

Commodities were mixed over the quarter. Energy delivering the best and worst performance. Precious metals did well, and Copper continues to benefit from the move towards net zero.

Natural Gas declined 19.7% over the quarter, with most of the negative movement occurring between 9 Jan to 19 Feb. A lack of new buying, combined with short selling, helped rebalance prices after a mild winter in the northern hemisphere left end of winter inventories 15% above the average of the past 5 years.

Brent Oil rose 12.0% over the quarter, as sentiment and supply supported prices. In mid-March, the International Energy Agency warned that the oil market was shifting from a surplus to a deficit that would last for all of 2024 if OPEC+ further extends its output cuts of 2.2 million bpd. The two wars have also impacted the oil price, with Israel striking Damascus and killing 2 of Iran's generals and 5 military advisers, while Ukraine's counter offensive damaged Russian oil infrastructure.

Brent Oil Price: 31 Dec 2023 – 31 Mar 2024

Source: tradingview.com. Accessed 10/04/2024

Australia

Inflation appears to be stabilising at a level above the RBA target and investors are uncertain if it will continue to ease to lower levels at this stage. The economy remains fairly resilient with GDP growing for the nineth consecutive quarter. Our Trade surplus assisted growth, despite exports to China decreasing. Employment remains strong helping to underpin the consumer.

Monetary Policy

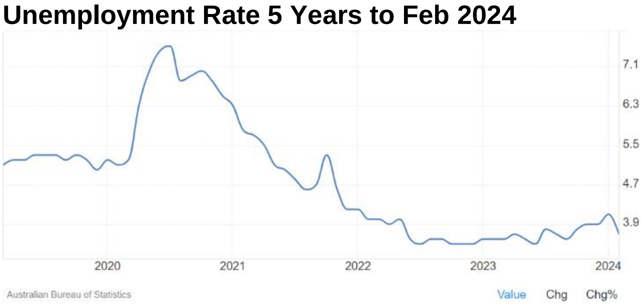
As expected, the RBA kept rates unchanged at 4.35% in March. The RBA continues to rely on incoming data and assessment of risks. Goods inflation continued to ease, but the cost of services remains elevated.

Inflation

The monthly Consumer Price Index (CPI) indicator in Australia stood at 3.4% p.a. for the year to February, unchanged from the last two months, and below market expectations of 3.5%. Food prices rose the least in 25 months (3.6% vs 4.4% Jan). Inflation eased for alcohol & tobacco (6.1% vs 6.7%), and communications (1.7% vs 2.0%), while prices declined for furnishings, household equipment & services (-0.3% vs 0.3%). Meanwhile, prices accelerated for transport (3.4% vs 3.0%), education (5.1% vs 4.7%), and clothing & footwear (0.8% vs 0.4%). The monthly CPI indicator excluding volatile items and travel advanced by 3.9% in February, down from a 4.1% in January.

Labour Market

Unemployment Rate 5 Years to Feb 2024

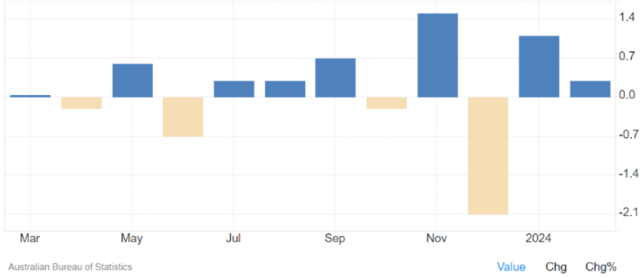


Source: tradingeconomics.com, ABS, Accessed 11/04/2024

Australia's seasonally adjusted unemployment rate fell to 3.7% in February from 4.1% in January. Figures were less than market forecasts of 4.0%, as the number of unemployed individuals dropped by 52k to 548.3k. Employment surged 116.5K to a record 14.27m, easily topping consensus of a 40k gain. Full-time employment climbed 78.2k to 9.82m million, and part-time employment added 38.3k to 4.44m. The participation rate edged up to 66.7% from 66.6% in January.

Retail Sales

Retail Sales MoM: Jan 2023 – Feb 2024



Source: tradingeconomics.com, ABS, Accessed 11/04/2024

Retail sales in Australia increased by 0.3% during February, slowing sharply from 1.1% in January and below market forecasts of 0.4%. Sales in cafes, restaurants & takeaway food eased (0.5% vs 1.4% Jan) amid declines in food (-0.1% vs 0.0%), and household goods (-0.8% vs 2.1%). Sales rose in department stores (2.3% vs 1.8%), and clothing, footwear & personal accessory retailing (4.2% vs 2.5%). Through the year to February, retail sales grew by 1.6%.

Balance of Trade

Australia's trade surplus on goods increased to $11.03 bln in January from $10.74 bln in December, but below forecasts of $11.5 bln. Exports grew by 1.6% to a 10-month high of $47.51 bln, mainly boosted by non-monetary gold. Shipments rose to the U.S. (11.3%) and Indonesia (6.6%), while those to our largest trading partner, China, plunged 9.2%. Imports climbed 1.3% to a three-month high of $36.43 bln, mainly driven by non-industrial transport equipment.

GDP

The Australian economy expanded 0.2% during Q4 of 2023, easing from Q3 and market estimates of 0.3%. Household spending rebounded slightly (0.1% vs -0.2% Q3), as consumers focus on essential items like electricity, rent, and food. Government spending slowed (0.6% vs 1.5%), amid a fall in defence spending. Fixed investment fell after growing in the prior 3 quarters (-0.2% vs 1.5%), with public investment dipping for the first time since Q3 of 2022, while a fall in private investment was due to a decline in dwellings, and machinery & equipment. Net trade contributed positively, as exports of goods & services fell 0.3%, while imports plunged 3.4%. Through the year, GDP grew by 1.5%, above forecasts of 1.4%.

United States

Job openings went up by 8,000 from the previous month to 8.756 million in February 2024, above market expectations of 8.75 million. Headline inflation in the U.S. unexpectedly edged up to 3.2% in February 2024, which was slightly above expectations.

Growth / Economic Activity

The Conference Board Leading Economic Index (LEI) for the U.S. increased by 0.1% in February 2024 to 102.8 (2016=100), following a 0.4% decline in January. Over the six-month period between August 2023 and February 2024, the LEI contracted by 2.6%, a smaller decrease than the 3.8% decline over the previous six months.

“The U.S. LEI rose in February 2024 for the first time since February 2022,” said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. “Strength in weekly hours worked in manufacturing, stock prices, the Leading Credit Index and residential construction drove the LEI’s first monthly increase in two years. However, consumers’ expectations and the ISM Index of New Orders have yet to recover, and the six- and twelve-month growth rates of the LEI remain negative. Despite February’s increase, the Index still suggests some headwinds to growth going forward. The Conference Board expects annualised U.S. GDP growth to slow over the Q2 to Q3 2024 period, as rising consumer debt and elevated interest rates weigh on consumer spending.”

Labour Market

The number of job openings went up by 8,000 from the previous month to 8.756 million in February 2024, above market expectations of 8.75 million. During the month, job openings increased in finance and insurance (+126,000); state and local government, excluding education (+91,000); and arts, entertainment, and recreation (+51,000). On the other hand, job openings decreased in information (-85,000) and in federal government (-21,000). Regarding regional distribution, job openings fell in the Northeast (-2,000), the South (-62,000), and the Midwest (-9,000), but rose in the West (+81,000).

Long Term Unemployment Rate in the United States decreased to 0.72% in February from 0.76% in January of 2024. The Long-Term Unemployment Rate in the United States averaged 1.00% from 1948 until 2024, reaching an all-time high of 4.40% in April of 2010 and a record low of 0.08% in May of 1953.

The Youth Unemployment Rate in the United States increased to 8.80% in February from 7.30% in January of 2024. The Youth Unemployment Rate in the United States averaged 11.63% from 1948 until 2024, reaching an all-time high of 28.50% in April of 2020 and a record low of 4.80% in May of 1951.

Inflation

According to the U.S. Bureau of Labor Statistics, the annual inflation rate in the U.S. unexpectedly edged up to 3.2% in February 2024, compared to 3.1% in January and above forecasts of 3.1%. Energy costs dropped much less than expected (-1.9% vs -4.6% in January), with gasoline declining 3.9% (vs -6.4%), utility gas service falling 8.8% (vs -17.8%) and fuel oil going down 5.4% (vs -14.2%). Meanwhile, prices increased at a softer pace for food (2.2% vs 2.6%), shelter (5.7% vs 6%), new vehicles (0.4% vs 0.7%), and medical care (2.9% vs 3%). Also, the cost was steady for apparel (0% vs 0.1%) and continued to decline for used cars and trucks (-1.8% vs -3.5%). In contrast, prices continued to rise sharply for transportation (9.9% vs 9.5%). Meanwhile, the monthly inflation rate rose to 0.4% from 0.3%, with prices for shelter and gasoline contributing over 60% of the increase. On the other hand, core inflation eased to 3.8% from 3.9%, compared to forecasts of 3.7%. The monthly rate remained steady at 0.4%, instead of forecasts of 0.3%.

Interest Rates / Fed Policy

The Federal Reserve left the fed funds rate steady at a 23-year high of 5.25%-5.50% for a fifth consecutive meeting in March 2024, in line with market expectations. Policymakers still plan to cut interest rates three times this year, similar to the quarterly forecasts in December. The dot plot also indicated three cuts in 2025, one fewer than in December, and three more reductions in 2026.

China

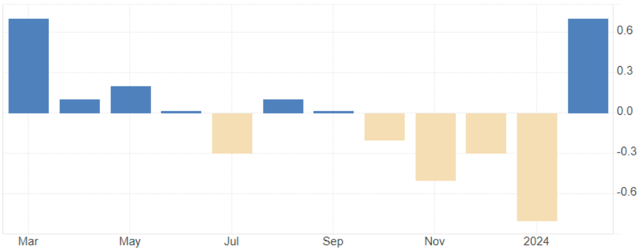
China's economy reflects a mix of weakness and growth. House prices are still impacted by the property crisis and influence sentiment, but retail sales remain positive. Industrial production has accelerated through year end and into the lunar new year, while China's balance of payments surprised on the upside, as exports rose well above expectations.

Monetary Policy

The 5-year loan prime rate was held at 3.95% (reference for mortgages) and the 1-year rate was held at 3.45% (reference for non-mortgage lending).

Inflation

Inflation (MoM) Mar 2023 – Feb 2024



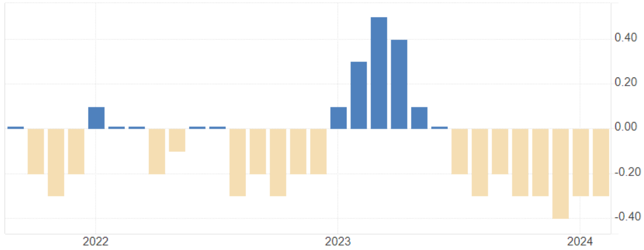
Source: Tradingeconomics.com, NBS China, Accessed 12/04/2024

China's consumer prices rose by 0.7% year-on-year in February, above market forecasts of 0.3% and a turnaround from the sharpest drop in over 14 years of 0.8% in January. The latest result was the first increase in consumer inflation since last August, and the highest level in 11 months due to robust spending during the Lunar New Year holiday. Food prices declined the least in eight months (-0.9% vs -5.9% Jan), reflecting upturns in costs of pork and vegetables. Non-food inflation sharply accelerated (1.1% vs 0.4%), with prices rising further for health (1.5% vs 1.3%) and education (3.9% vs 1.3%). Core CPI increased by 1.2% YoY in February, the most since January 2022. Monthly, CPI increased 1.0%, hitting its highest level since January 2021, while Core CPI rose 0.5% during February.

Housing

China's new home prices declined by 1.4% YoY in February, faster than the 0.7% fall in January. It was the eighth straight month of drop in the YoY data despite various support measures from Beijing to mitigate the impact of a prolonged property downturn and fragile economic recovery. Monthly, new home prices fell by 0.3%, in line with January's decrease.

New House Prices (MoM) Sep 2021 – Feb 2024



Source: Tradingeconomics.com, NBS China, Accessed 12/04/2024

Retail Sales

China's retail sales increased by 5.5% YoY in January-February combined, topping the market consensus of 5.2% and coming after a 7.4% rise in December. It was the 13th straight month of growth in retail trade, as sales rose further for grain & food oil (9.0% vs 5.8% Dec), furniture (4.6% vs 2.3%), communications equipment (16.2% vs 11.0%), and cars (8.7% vs 4.0%). Sales rebounded for home appliances (5.7% vs -0.1%) and building materials (2.1% vs -7.5%). Meanwhile, continued weakness was experienced in personal care (-0.7% vs -5.9%) and office supplies (-8.8% vs -9.0%).

Industrial Production

China's industrial production expanded by 7.0% YoY in January-February combined, faster than a 6.8% growth in December and beating market forecasts of 5%. It was the fastest expansion in industrial output in almost two years, boosted by robust activities in manufacturing (7.7% vs 7.1% Dec) and utilities (7.9% vs 7.3%). By industries, production accelerated for computer & communications (14.6% vs 9.6%), and textiles (6.6% vs 2.1%). On a monthly basis, the industrial output grew by 0.56%.

Balance of trade

China's trade surplus increased to US$125.16 bln in January-February combined from US$103.8 bln in the same period a year earlier, surpassing market forecasts of US$103.7 bln, as exports rose more than imports. Exports grew by 7.1%, beating expectations of 1.9% growth, while imports climbed by 3.5%, above expectations of a 1.5% rise. The trade surplus with the United States was at US$47.29 bln, with exports rising 5%, while imports declined by 9.7%.

Europe

According to Eurostat, the unemployment rate in the Euro Area stood at a record low of 6.5% in February 2024, matching January's revised figure, and slightly higher than market forecasts of 6.4%. The inflation rate in the Euro Area declined to 2.4% year-on-year in March 2024, matching November's 28-month low.

Growth / Economic Activity

According to the ECB, the euro area economy stagnated at the end of 2023 amid tight financing conditions, subdued confidence and past competitiveness losses. Incoming information suggests a slower recovery in the short run than was foreseen in the December 2023 projections. Nevertheless, economic growth is projected to gradually pick up during this year as real disposable income rises, amid declining inflation and robust wage growth, and as the terms of trade improve.

With the current shipping disruptions in the Red Sea unlikely to cause significant renewed supply constraints, export growth is expected to catch up with strengthening foreign demand. Over the medium term the recovery is seen to also be supported by the gradual fading of the impact from the ECB's monetary policy tightening. Overall, annual average real GDP growth is expected to be 0.6% in 2024, and to strengthen to 1.5% in 2025 and 1.6% in 2026. Compared with the December 2023 projections, the outlook for GDP growth has been revised down for 2024, owing to carry-over effects from past negative data surprises and weaker incoming forward-looking information, it is unrevised for 2025 and has been revised slightly up for 2026.

Inflation

The consumer price inflation rate in the Euro Area declined to 2.4% year-on-year in March 2024, matching November's 28-month low and falling short of market expectations of 2.6%, a preliminary estimate showed. The core rate, excluding volatile food and energy prices, also cooled to 2.9%, its lowest point since February 2022 and below forecasts of 3.0%. Energy prices saw a decline of 1.8% (vs -3.7% in February), while the pace of price rises moderated for food, alcohol & tobacco (2.7% vs 3.9%), and non-energy industrial goods (1.1% vs 1.6%). On the other hand, services inflation held steady at 4.0%. On a monthly basis, consumer prices increased by 0.8% in March, following a 0.6% rise in February.

Labour Market

According to Eurostat, the unemployment rate in the Euro Area stood at a record low of 6.5% in February 2024, matching January's revised figure and compared with market forecasts of 6.4%. The number of unemployed individuals increased by 17,000 from the prior month to 11.102 million. Meanwhile, the youth unemployment rate, reflecting those under 25 seeking employment, was unchanged for the fourth consecutive month at 14.6% in February. Across the major Euro Area economies, Spain continues to report the highest jobless rate at 11.5%, followed by Italy at 7.5% and France at 7.4%. Conversely, Germany recorded the lowest rate at 3.2%. A year earlier, the jobless rate was slightly higher at 6.6%.

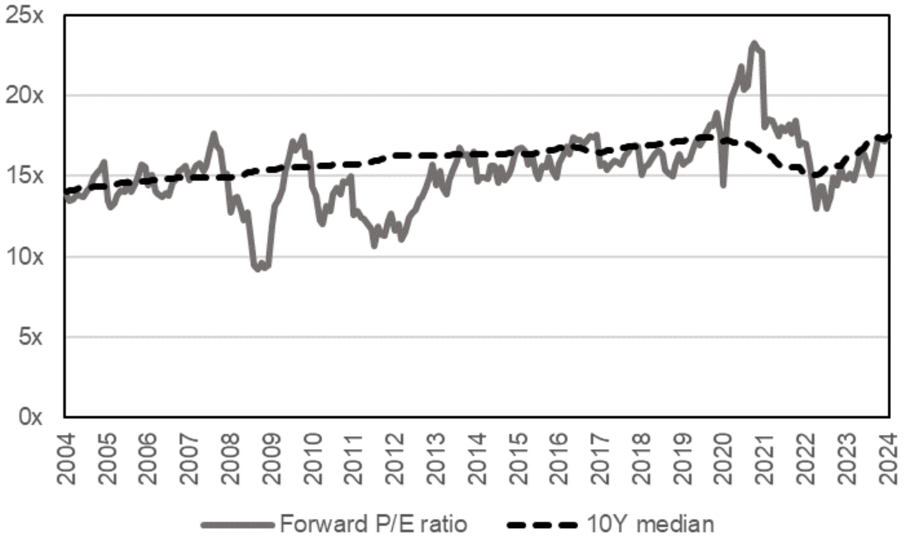
Policy

The European Central Bank's Governing Council decided on the 7th of March to keep the three key ECB interest rates unchanged. Since the last Governing Council meeting in January, inflation has declined further. In the latest ECB staff projections, inflation has been revised down, in particular for 2024, which mainly reflects a lower contribution from energy prices. Staff now project inflation to average 2.3% in 2024, 2.0% in 2025 and 1.9% in 2026. The projections for inflation excluding energy and food have also been revised down and average 2.6% for 2024, 2.1% for 2025 and 2.0% for 2026. Although most measures of underlying inflation have eased further, domestic price pressures remain high, in part owing to strong growth in wages. Financing conditions are restrictive and the past interest rate increases continue to weigh on demand, which is helping push down inflation.

The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. Based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, if maintained for a sufficiently long duration, will make a substantial contribution to this goal. The Governing Council's future decisions will ensure that policy rates will be set at sufficiently restrictive levels for as long as necessary.

Market valuations (Forward P/E vs 10Y median Forward P/E)

Australian Shares Forward P/E – spot vs trailing 10Y median (March-14 to March-24)



Sources: FactSet, MSCI, S&P (March 2024)

Australian Shares based on the S&P/ASX 200 Index.

Performance as of 31 March 2024

					Annualised						
		1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	3.3%	5.3%	14.2%	14.4%	9.6%	9.2%	8.6%	8.3%	10.0%	8.8%
	Australia - mid cap	3.4%	6.6%	11.7%	14.9%	9.3%	11.1%	10.4%	11.6%	11.8%	9.8%
	Australia - small cap	4.8%	7.5%	16.7%	13.8%	2.7%	5.4%	6.8%	6.7%	7.4%	5.8%
	Australia - micro cap	6.3%	6.0%	11.7%	3.2%	4.5%	11.8%	9.4%	8.5%	7.8%	5.7%
	World ex Australia	3.0%	14.0%	20.1%	28.7%	14.4%	14.1%	13.7%	13.4%	12.8%	9.0%
	World ex Australia (Hedged)	3.3%	9.5%	19.0%	23.1%	7.0%	10.0%	9.6%	9.6%	12.7%	9.0%
	World - small cap	3.5%	9.0%	16.0%	18.8%	6.6%	9.7%	10.0%	10.7%	12.9%	8.9%
	Emerging Markets	2.0%	6.8%	8.9%	10.7%	-0.1%	3.9%	6.0%	6.6%	7.1%	7.3%
Property & Infrastructure	A-REITS	9.7%	16.8%	36.1%	36.6%	11.4%	6.4%	8.0%	10.5%	12.2%	6.2%
	Global REITs	3.3%	3.2%	12.6%	10.3%	4.1%	1.5%	4.4%	6.7%	9.5%	-
	Global REITs (hedged)	3.6%	-0.1%	12.6%	7.7%	-0.7%	-0.8%	1.7%	4.1%	10.0%	-
	Global infrastructure	3.1%	6.1%	11.3%	5.9%	8.3%	5.6%	7.6%	9.4%	-	-
	Global infrastructure (Hedged)	3.3%	2.5%	11.2%	2.1%	2.6%	2.9%	4.7%	6.6%	10.9%	-
Fixed income	Australia Total Market	1.1%	1.0%	4.9%	1.5%	-1.3%	0.2%	1.6%	2.6%	3.7%	4.4%
	Australia government bonds	1.2%	1.0%	5.0%	0.9%	-1.6%	-0.1%	1.5%	2.5%	3.5%	4.3%
	Australia corporate bonds	0.9%	1.4%	4.6%	4.7%	0.3%	1.7%	2.7%	3.4%	4.8%	5.0%
	Australia floating rate bonds	0.5%	1.5%	2.8%	5.4%	2.7%	2.3%	2.5%	2.7%	3.9%	4.1%
	Global Total Market (Hedged)	0.8%	-0.3%	5.1%	2.5%	-2.4%	-0.1%	1.0%	2.3%	4.3%	4.9%
	Global government bonds (Hedged)	0.7%	-0.3%	4.6%	1.9%	-2.4%	-0.3%	0.9%	2.3%	3.9%	-
	Global corporate bonds (Hedged)	1.2%	-0.2%	6.6%	4.1%	-2.6%	0.4%	1.4%	2.7%	5.9%	-
	Global high yield bonds (Hedged)	1.5%	2.3%	9.6%	11.5%	0.7%	2.1%	2.7%	4.1%	9.7%	7.7%
Cash	Bloomberg AusBond Bank Bill Index	0.4%	1.1%	2.2%	4.2%	2.1%	1.5%	1.6%	1.8%	2.5%	3.4%

Sources: FactSet, Lonsec

Appendix – Index sources

Asset class	Index
Australian equities (S&P/ASX 200)	S&P/ASX 200 Accumulation Index
Australian equities - Mid caps	S&P/ASX Accumulation Midcap 50 Index
Australian equities - Small caps	S&P/ASX Accumulation Small Cap Ordinaries Index
Australian equities - Micro caps	S&P/ASX Emerging Companies Total Return Index
International equities	MSCI World ex Australia Net Total Return (in AUD)
International equities (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
International equities - Small caps	MSCI World Small Cap Net Total Return USD Index (in AUD)
Emerging Markets equities	MSCI Emerging Markets EM Net Total Return AUD Index
Australian REITs	S&P/ASX 200 A-REIT Accumulation Index
Global REITs	FTSE EPRA/NAREIT Developed Index Net Total Return (in AUD)
Global REITs (Hedged)	FTSE EPRA/NAREIT Developed Index Net Total Return (Hedged to AUD)
Global Infrastructure	FTSE Global Core Infrastructure 50/50 Net Total Return in AUD
Global Infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index
Australian bonds	Bloomberg AusBond Composite 0+ Yr Index
Australian bonds – government	Bloomberg AusBond Govt 0+ Yr Index
Australian bonds – corporate	Bloomberg AusBond Credit 0+ Yr Index
Australian bonds - floating rate	Bloomberg AusBond Credit FRN 0+ Yr Index
Global bonds (Hedged)	Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Global bonds - government (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global bonds - corporate (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global bonds - High Yield (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Cash (AUD)	Bloomberg AusBond Bank Bill Index